

House Engrossed

State of Arizona
House of Representatives
Forty-fifth Legislature
First Regular Session
2001

CHAPTER 16

HOUSE BILL 2119

AN ACT

AMENDING SECTIONS 20-481.07 AND 20-731, ARIZONA REVISED STATUTES; RELATING
TO TRANSACTION OF INSURANCE BUSINESS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-481.07, Arizona Revised Statutes, is amended to
3 read:

4 20-481.07. Approval and issues; notice; hearings

5 A. The tender offer for or request or invitation for tenders, merger
6 or other acquisition of control may not be consummated until it is approved
7 by the director. ~~After a public hearing thereon,~~ The director shall approve
8 the transaction unless he THE DIRECTOR finds the tender offer for or request
9 or invitation for tenders, merger or other acquisition of control:

10 1. Is contrary to law.

11 2. Is inequitable to the shareholders of any domestic insurer
12 involved.

13 3. Would substantially reduce the security of and service to be
14 rendered to policyholders of the domestic insurer in this state or elsewhere.

15 4. After the change of control the domestic insurer would not be able
16 to satisfy the requirements for the reissuance of a certificate of authority
17 to write the line or lines of insurance for which it is presently licensed.

18 5. The effect of which would substantially lessen competition in
19 insurance in this state or tend to create a monopoly. In applying the
20 competitive standard in this paragraph:

21 (a) The informational requirements of section 20-481.25, subsection
22 C and the standards of section 20-481.25, subsection D apply.

23 (b) The merger or other acquisition shall not be disapproved if the
24 director finds that any of the situations meeting the criteria provided by
25 section 20-481.25 exist.

26 (c) The director may condition the approval of the merger or other
27 acquisition on the removal of the basis of disapproval within a specified
28 period of time.

29 6. The financial condition of any acquiring party might jeopardize the
30 financial stability of the insurer or prejudice the interest of its
31 policyholders.

32 7. The plans or proposals that the acquiring party has to liquidate
33 the insurer, sell its assets or consolidate or merge it with any person, or
34 to make any other material change in its business or corporate structure or
35 management, are unfair and unreasonable to policyholders of the insurer and
36 are not in the public interest.

37 8. The competence, experience and integrity of those persons who would
38 control the operation of the insurer are such that it would not be in the
39 interest of policyholders of the insurer and of the public to permit the
40 merger or other acquisition of control.

41 9. The acquisition is likely to be hazardous or prejudicial to the
42 insurance buying public.

43 B. THE DIRECTOR MAY CONDUCT A HEARING AS PRESCRIBED IN SECTION 20-161
44 REGARDING ANY TRANSACTION PURSUANT TO SECTION 20-481.02.

1 ~~B.~~ C. The ANY public hearing referred to in CONDUCTED PURSUANT TO
2 subsection A B of this section shall be held within thirty days after the
3 statement required by section 20-481.02 is filed, and at least twenty days
4 DAYS AFTER THE DIRECTOR GIVES written notice thereof shall be given by the
5 director OF THE HEARING to the person filing the statement. Not less than
6 ten days' written notice of the hearing shall be given by The person filing
7 the statement SHALL GIVE AT LEAST TEN DAYS' WRITTEN NOTICE OF THE HEARING to
8 the insurer and to ANY other persons as may be designated by the
9 director. The insurer shall give the written notice to its security holders.

10 D. IF THE DIRECTOR DOES NOT GIVE NOTICE OF A HEARING PURSUANT TO
11 SUBSECTIONS B AND C OF THIS SECTION, THE PERSON FILING THE STATEMENT SHALL
12 GIVE WRITTEN NOTICE OF THE FILING ON A FORM PRESCRIBED BY THE DIRECTOR TO THE
13 INSURER AND TO ANY OTHER PERSONS DESIGNATED BY THE DIRECTOR. THE INSURER
14 SHALL GIVE THE WRITTEN NOTICE TO ITS SECURITY HOLDERS. THE PERSON FILING THE
15 STATEMENT, THE INSURER, ANY DESIGNATED RECIPIENT OF THE WRITTEN NOTICE OF THE
16 FILING AND ANY PERSON WHOSE INTERESTS MAY BE AFFECTED BY THE FILING HAVE TEN
17 DAYS FROM THE DATE OF THE WRITTEN NOTICE TO REQUEST THAT THE DIRECTOR HOLD
18 A HEARING ON THE FILING PURSUANT TO THIS SECTION. THE REQUEST SHALL SPECIFY
19 THE GROUNDS FOR THE HEARING AND THE INTERESTS THAT WOULD BE AFFECTED BY THE
20 FILING.

21 E. IF THE DIRECTOR FINDS THAT THE REQUEST IS MADE IN GOOD FAITH, THAT
22 THE INTERESTS OF THE PERSON REQUESTING THE HEARING WOULD BE AFFECTED BY THE
23 FILING IF THE GROUNDS ARE ESTABLISHED, AND THAT THE GROUNDS OTHERWISE JUSTIFY
24 HOLDING A HEARING, THE DIRECTOR SHALL GRANT THE REQUEST FOR A HEARING AND
25 ISSUE A NOTICE OF HEARING TO ALL PERSONS ENTITLED TO THE NOTICE PURSUANT TO
26 SUBSECTION C OF THIS SECTION. THE HEARING SHALL BE HELD NO EARLIER THAN
27 TWENTY DAYS FROM THE DATE OF THE NOTICE.

28 F. IF A HEARING IS SCHEDULED, the person filing the statement, the
29 insurer, any person to whom written notice of hearing was sent and any other
30 person whose interests may be affected thereby shall have the right to
31 present evidence, examine and cross-examine the witnesses and offer oral and
32 written arguments at the hearing. Prior to the hearing, persons shall be
33 entitled to take depositions upon oral examination in the same manner as is
34 allowed in the superior court of this state. All depositions shall be
35 concluded not later than three days prior to the commencement of the public
36 hearing. The director shall make a determination within thirty days after
37 the conclusion of the hearing. Except as otherwise provided in this
38 subsection the provisions of title 41, chapter 6, article 10 shall apply to
39 hearings, orders and appeals.

40 ~~G.~~ G. All statements, amendments or other material filed pursuant
41 thereto, and all notices of public hearing held pursuant to subsection B of
42 this section, shall be mailed by the insurer to its shareholders within five
43 business days after the insurer has received the statements, amendments,
44 other material or notices. The expenses of mailing shall be paid by the
45 person making the filing. As security for the payment of the expenses, the

1 person shall file with the director an acceptable bond or other deposit in
2 an amount to be determined by the director.

3 Sec. 2. Section 20-731, Arizona Revised Statutes, is amended to read:

4 20-731. Merger or consolidation of stock insurers; hearings;
5 notice

6 A. Any domestic stock insurer except a title insurer may merge or
7 consolidate with another domestic or foreign stock insurer by complying with
8 the provisions of general law governing the merger or consolidation of stock
9 corporations formed for profit, but subject to subsection B of this section.

10 B. No merger or consolidation is effective under this section unless
11 in advance of the merger or consolidation the plan and agreement have been
12 filed with and approved in writing by the director of insurance. After THE
13 DIRECTOR MAY HOLD a public hearing on the plan and agreement, AS PRESCRIBED
14 IN SECTION 20-161, AND the director shall approve the merger or consolidation
15 unless the director finds the plan or agreement:

16 1. Is contrary to law.

17 2. Is unfair in the terms and conditions of the issuance and exchange
18 of securities.

19 3. Would substantially reduce the security of and service to be
20 rendered to policyholders of the domestic insurer in this state or elsewhere.

21 C. The ANY public hearing referred to in subsection B of this section
22 shall be held within thirty days after the plan and agreement OF MERGER is
23 filed, and at least twenty-five days' written notice thereof shall be given
24 by the director to the insurer corporations involved. Not less than ten
25 days' written notice of the hearing shall be given by the insurer
26 corporations to their shareholders. The insurers filing the plan and
27 agreement, shareholders, any person to whom written notice of hearing was
28 sent and any other person whose interest may be affected thereby shall have
29 the right to present evidence, examine and cross-examine the witnesses and
30 offer oral and written arguments at the hearing. The director shall make a
31 determination within thirty days after the conclusion of the hearing. Except
32 as otherwise provided in this subsection, the provisions of title 41, chapter
33 6, article 10 shall apply to hearings, orders and appeals.

34 D. A domestic title insurer may merge or consolidate with another
35 domestic or foreign title insurer by complying with the provisions of section
36 20-1576.

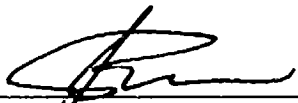
APPROVED BY THE GOVERNOR MARCH 15, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 19, 2001.

Passed the House January 30, 2001,

by the following vote: 59 Ayes,

0 Nays, 1 Not Voting

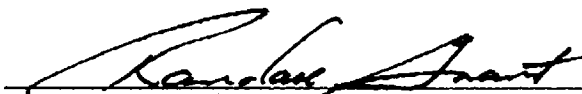

Speaker of the House

Norman L. Moore
Chief Clerk of the House

Passed the Senate March 14, 2001,

by the following vote: 30 Ayes,

0 Nays, 0 Not Voting


President of the Senate

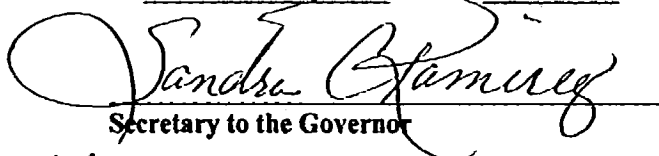
Chaimin Bellon
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

15 day of March, 2001,

at 2:24 o'clock P M.


Secretary to the Governor

Approved this 19 day of

March, 2001,

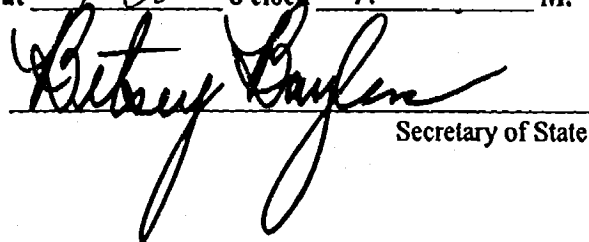
at 2:05 o'clock P M.


Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this 19th day of March, 2001,

at 4:32 o'clock PM M.


Secretary of State

H.B. 2119